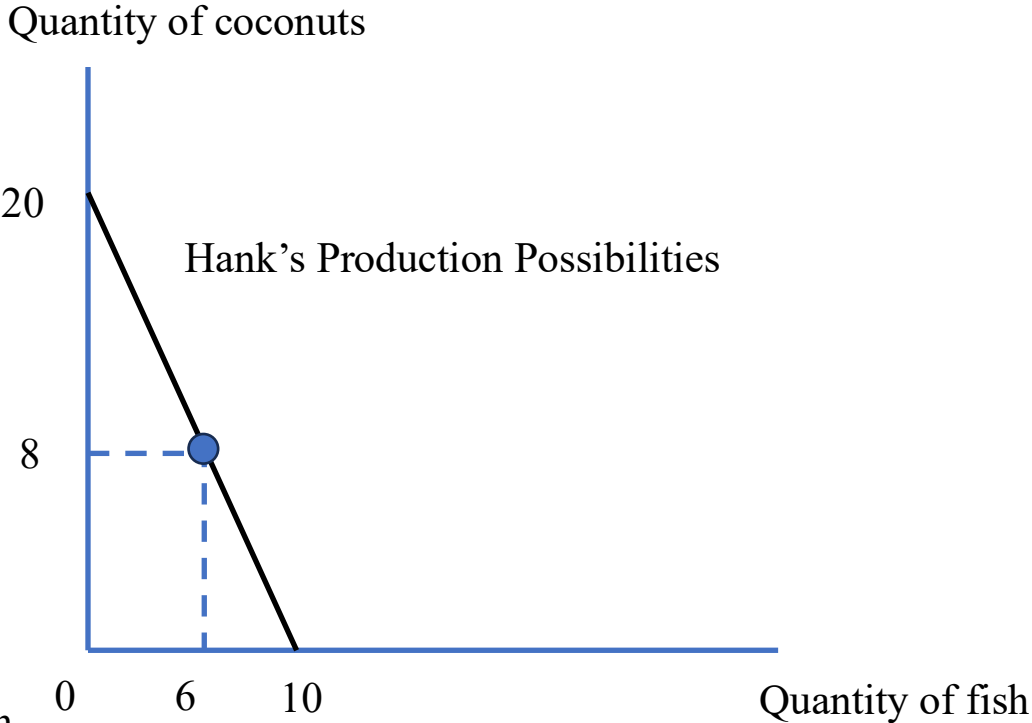
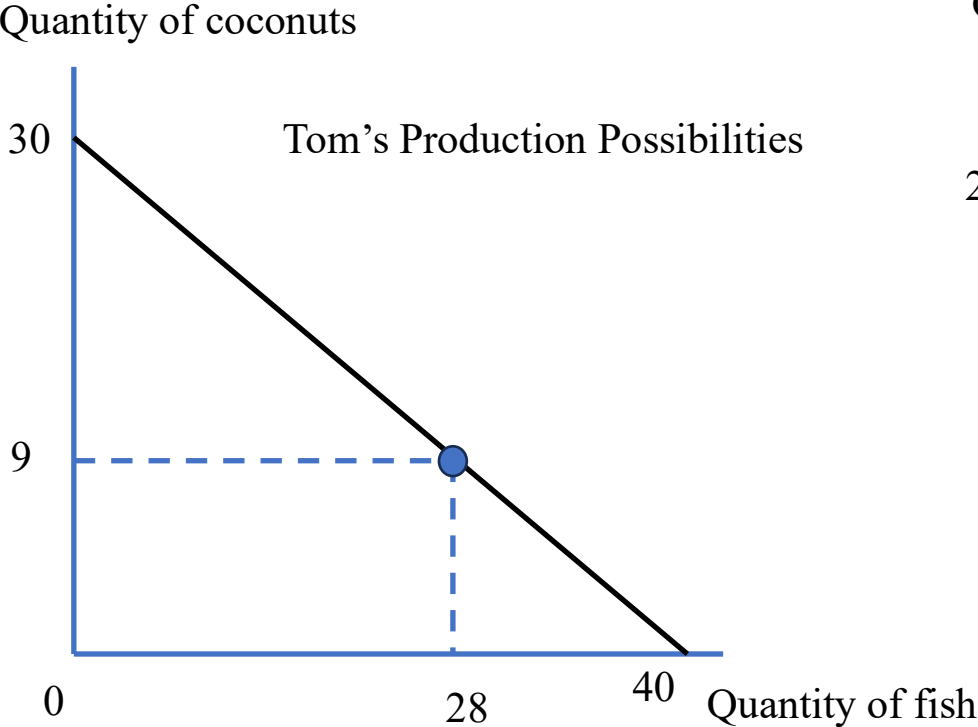


Production Possibilities for Two Castaways

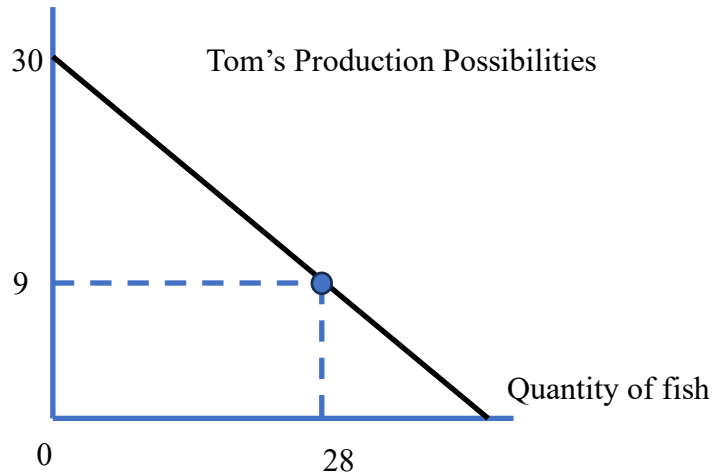


_____ has absolute advantage on producing fish and coconut.

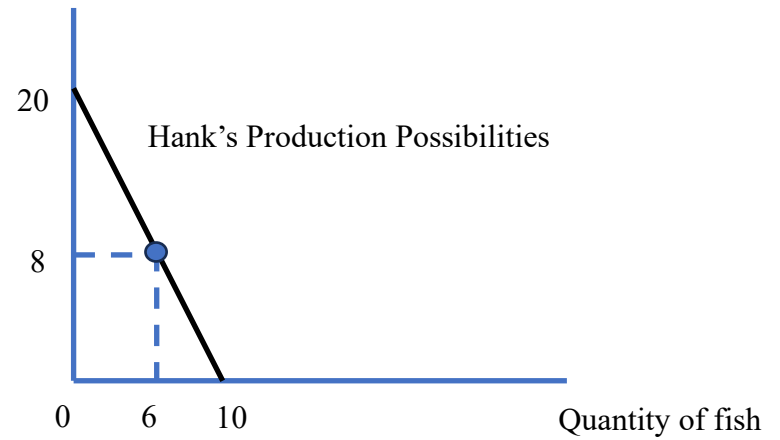
Absolute advantage – the ability to produce a good using fewer inputs than another producer

Production Possibilities for Two Castaways

Quantity of coconuts



Quantity of coconuts



Tom and Hank's Opportunity Costs

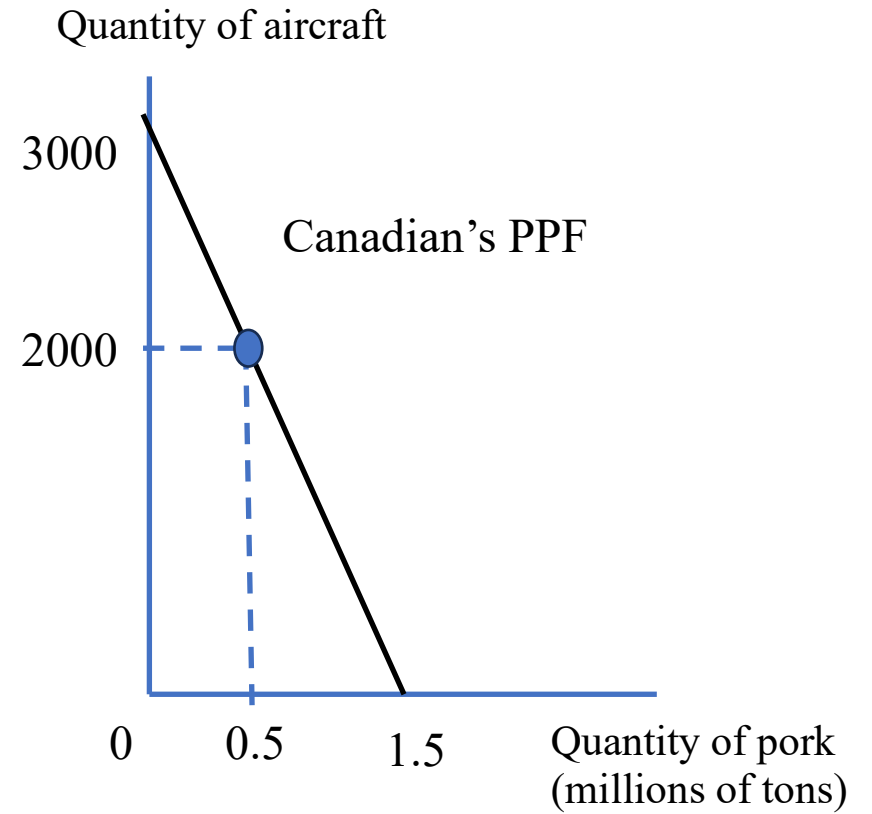
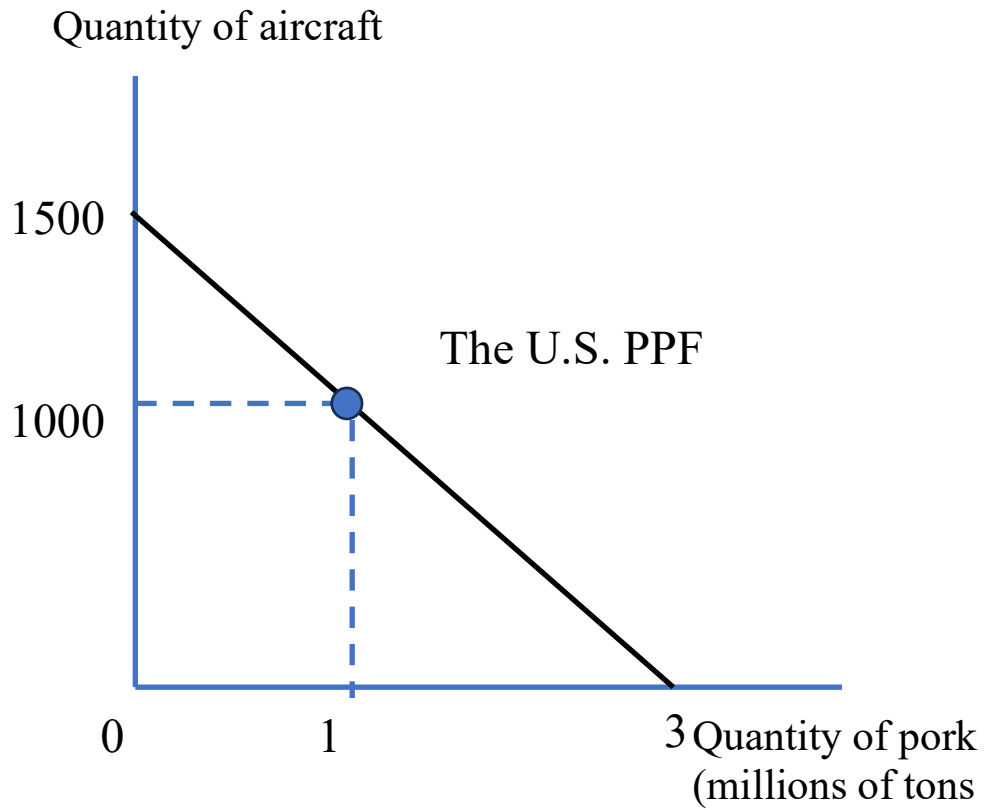
| | Tom's Opportunity Costs | Hank's Opportunity Costs |
|--------------------|-------------------------|--------------------------|
| One fish | | |
| One coconut | | |

_____ has comparative advantage on producing fish.

_____ has comparative advantage on producing coconut.

Comparative advantage – the ability to produce a good at a lower opportunity cost than another producer.

Comparative Advantage and International Trade



The U.S. and Canadian's Opportunity Costs

| | The U.S.'s Opportunity Costs | Canadian's Opportunity Costs |
|--------------------------------|-------------------------------------|-------------------------------------|
| One million ton of pork | | |
| One aircraft | | |

_____ has comparative advantage on producing pork.

_____ has comparative advantage on producing aircraft.